



UMUZIWABANTU MUNICIPALITY

FINANCIAL STATEMENTS

for the year ended 30 June 2017

Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

General Information

MUNICIPAL COUNCIL

D. Nciki	(Mayor)
N.T. Ndzingwa	(Deputy Mayor)
M.V. Nyathi	(Speaker)
M.V. Vezi	(Exco Member)
S.J. Ncwane	(Exco Member)
H.J. Ngubelanga	Councillor
N. Ngubelanga	Councillor
M.B. Gavu	Councillor
C.P. Nkomo	Councillor
G.F. Memela	Councillor
N. Nozisali	Councillor
V. Mbata	Councillor
T.A. Disane	Councillor
Z. Hlabe	Councillor
W. Mbotho	Councillor
S.S. Maphumulo	Councillor
C.M. Machi	Councillor
K.S. Mteshana	Councillor
A.M. Cele	Councillor
X.C. Mndela	Councillor
D. Nciki	(District Council Representative)
H.J. Ngubelanga	(District Council Representative)
T.A. Disane	(District Council Representative)

GRADING OF MUNICIPALITY

Grade 3

AUDITORS

Auditor General of South Africa

BANKERS

Nedbank Limited
First National Bank Limited
Investec Limited

REGISTERED OFFICE

Main Street
HARDING, 4680

POSTAL OFFICE

Private Bag X1023
HARDING
4680

MUNICIPAL MANAGER

S.D. Mbhele

CHIEF FINANCIAL OFFICER

WEBSITE: www.umuziwabantu.gov.za

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Accounting Officer's Responsibilities and Approval

The Accounting officer are required by the MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly presented the state of affairs of the municipality as at the end of the financial year and the results of its operation and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible of the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error of deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Umuziwabantu Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system on internal control provides reasonable assurance that the financial control can provide only reasonable, and not absolute assurance against material misstatements of deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2017 to 30 June 2018 and in the light of this review and the current financial position, they are satisfied that the Umuziwabantu Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 50 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr S.D. Mbhele
Municipal Manager

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

	Note(s)	2 017 R	2 016 R
Assets			
Current assets			
Inventory	7	516 578	560 491
Receivables from exchange transactions	8	3 153 600	2 434 583
VAT receivable	9	1 228 962	2 588 574
Consumer debtors	10	15 755 037	12 638 232
Cash and cash equivalents	11	129 931 073	110 840 066
		150 585 250	129 061 945
Non-current assets			
Investment Property	2	1 459 000	1 479 000
Property, plant and equipment	3	224 827 962	202 633 413
Intangible Asset	4	1 483 675	23 908
Plantation Investment	6	27 807 843	29 307 519
		255 578 480	233 443 840
Total Assets		406 163 730	362 505 785
Liabilities			
Current liabilities			
Finance Lease Liability	14	320 933	261 866
Payables from exchange transactions	17	6 666 508	7 950 143
Consumer deposits	18	527 247	521 657
Unspent grants and receipts	15	3 510 117	3 756 777
Provisions	16	6 478 933	6 142 580
		17 503 739	18 633 023
Non- current liabilities			
Finance Lease Liability	14	293 963	408 897
Employee benefit obligation	5	4 926 774	4 583 299
		5 220 737	4 992 196
		22 724 476	23 625 219
Net assets		383 439 254	338 880 567
Net assets			
Reserves			
Revaluation reserve	12	26 468 400	26 468 400
Accumulated Surplus		357 023 900	312 412 167
Total Assets		383 492 300	338 880 567

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Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

	Note(s)	2 017 R	2 016 R
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		8 277 065	9 701 124
Service charges	21	31 299 363	29 538 570
Rental on facilities and equipment	36	82 188	37 861
Licences and permits		2 077 724	2 199 713
Other Income	24	2 675 066	2 677 387
Interest received - investments	30	10 006 166	7 270 710
Total revenue from exchange transactions		54 417 571	51 425 365
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	15 742 605	14 528 594
Property rates-penalties imposed	20	1 158 159	855 466
Transfer revenue			
Government grants and subsidies	22	77 430 871	82 571 119
Capital grants	23	27 159 788	24 523 220
Fines		456 095	358 864
Total revenue from non exchange transactions		121 947 518	122 837 263
Total revenue		176 365 089	174 262 629
Expenditure			
Employee related costs	26	(44 493 055)	(39 757 372)
Remuneration of Councillors	27	(6 783 733)	(6 174 207)
Afforestation Scheme general expenses	28	(5 186 098)	(5 037 159)
Afforestation Scheme cost of sales		(4 256 322)	(4 519 322)
Depreciation and amortisation	32	(10 370 543)	(11 430 414)
Finance Costs	33	(812 533)	(38 206)
Finance lease		(82 994)	(282 944)
Debt impairment	29	(776 666)	(173 580)
Repairs and maintenance		(4 514 007)	(3 978 411)
Bulk purchases	39	(25 047 668)	(22 923 839)
Contracted services	37	(2 499 586)	(2 084 375)
Transfers and subsidies	38	(1 337 400)	(327 267)
General expenses	25	(26 764 551)	(20 163 682)
Total Expenditure		(132 925 156)	(117 229 683)
Operating surplus		43 439 934	57 032 945
Loss on Disposal of assets		(658 436)	(338 905)
Changes in value of plantation	31	(1 499 676)	6 101 876
Actuarial Gains/Losses	5	491 784	12 493
Surplus for the year		41 773 606	63 147 314

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Financial Statements for the year ended June 30, 2017

Statement of Changes in Net Assets

	Revaluation Reserve R	Accumulated Surplus/ R	Total net assets R
Balance at 01 July 2015	26 468 400	248 940 728	275 409 128
Correction of Prior year error		324 124	324 124
Balance at 01 July 2015 -(Restated)	26 468 400	249 264 852	275 733 252
Surplus for the year		63 147 314	63 147 314
Total changes	26 468 400	312 412 166	338 880 566
Balance at 01 July 2016	26 468 400	312 412 166	338 880 566
Correction of Prior year error	58	2 838 128	2 838 128
Balance at 01 July 2016 -(Restated)	26 468 400	315 250 295	341 718 695
Surplus for the year		41 773 606	41 773 606
Total changes	26 468 400	357 023 900	383 492 300
Note(s)	12		

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Financial Statements for the year ended June 30, 2017

Cash Flow Statement

	Note(s)	2 017 R	2 016 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		56 616 987	54 073 540
Grants		104 590 659	107 094 339
Other receipts		12 673 762	9 948 097
Other cash item			
		173 881 409	171 115 976
Payments			
Employee Costs		(51 276 787)	(45 931 580)
Suppliers		(61 058 739)	(46 253 096)
Finance costs		(83 547)	(38 206)
Other cash items		(12 381 667)	(9 556 481)
		(124 800 741)	(101 779 363)
Net cash flows from operating activities	40	49 080 668	69 336 613
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(30 195 349)	(64 995 737)
Proceeds from sale of property, plant and equipment	3	926 765	34 925 978
Proceeds from sale on investment property	2	20 000	0
Purchase of other intangible assets	4	(1 506 242)	0
Movement in plantation investment		1 499 676	(4 957 571)
Purchase of other assets			
		(29 255 150)	(35 027 330)
Net cash generated from / (utilised in) financing activities			
Cash flows from financing activities			
Repayment of other financial liabilities			
Finance lease payments		(734 511)	(566 009)
Other cash item			0
		(734 511)	(566 009)
Net cash flows from financing activities			
		(734 511)	(566 009)
Net increase/(decrease) in cash and cash equivalents			
		19 091 007	33 743 274
Cash and cash equivalents at the beginning of the year		110 840 066	77 096 792
Cash and cash equivalents at the end of the year		129 931 073	110 840 066
		129 931 073	

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Financial Statements for the year ended, June 30, 2017

Statement of Comparison of Budget and Actual Amount

2016-2017																
Financial Performance																
Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome original budget						
R	R	R	R	R	R	R	R	R	%	%						
Property rates	14 355 000				14 355 000	15 742 605		(1 387 605)	10%	9%						
Property rates-penalties&collection charges	406 154	350 000			756 154	1 158 159		(402 005)	53%	65%						
Service charges-electricity revenue	33 484 237				33 484 237	29 182 595		4 301 642	-13%	-15%						
Service charges-refuse revenue	2 125 785				2 125 785	2 116 768		9 017	0%	0%						
Rental of facilities and equipment	298 345	(59 276)			239 069	75 339		163 730	-68%	-296%						
Interest earned-external investments	4 470 000	2 500 000			6 970 000	10 006 166		(3 036 166)	44%	55%						
Fines	28 994				28 994	456 095		(427 101)	1473%	94%						
Licences and permits	395 804	105 000			500 804	468 682		32 122	-6%	16%						
Agency services	2 790 421	(800 000)			1 990 421	1 609 043		381 378	-19%	-73%						
Transfers recognised	104 661 162				104 661 162	104 590 659		70 503	0%	0%						
Other revenue	20 996 267	(7 087 141)			13 909 126	2 675 065		11 234 061	-81%	-685%						
Actual Gains						491 784										
Afforestation						8 277 065										
Total revenue	184 012 169	(4 991 417)			179 020 752	176 850 024	0	10 939 577	-1%	-4%						
Employee costs	49 407 000	0			49 407 000	44 486 206		4 920 794	-10%	-11%						
Remuneration councillors	8 074 000				8 074 000	6 783 733		1 290 267	-16%	-19%						
Debt impairment	175 000				175 000	776 666		(601 666)	344%	77%						
Depreciation and asset impairment	7 676 000	5 000 000			12 676 000	10 370 543		2 305 457	-18%	26%						
Finance cost and lease	685 000	0			685 000	817 505		(132 505)	19%	16%						
Bulk purchases	30 247 000				30 247 000	25 047 668		5 199 332	-17%	-21%						
Contracted services	1 328 000	390 000			1 718 000	2 499 586		(781 586)	45%	47%						
Repairs and Maintenance	6 569 623	(451 301)			6 118 322	4 514 007		1 604 315	-26%	-46%						
Transfers and grants	3 083 000	(580 000)			2 503 000	1 337 400		1 165 600	-47%	-131%						
Other expenditure	30 510 757	1 559 044			32 069 801	26 764 551		5 305 250	-17%	-14%						
Transfers recognised						9 442 420										
Total Expenditure	137 755 380	5 917 743			143 673 123	132 840 285										
Operating surplus						44 009 739										
Loss on disposal of PPE						658 436										
Change in plantation						1 499 676										
Surplus/Deficit	46 256 789	(10 909 160)	0	0	35 347 629	41 851 627	0	20 275 258	16%	-11%						

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Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amount for assets as at 30 June 2017

	Original budget		Budget adjustment (i.t.o S28 and S31 of MFMA)		Final adjustment budget		Shifting of funds (i.t.o. S31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual outcome		Unauthorised expenditure		Variance		Actual Outcome as % of final budget		Actual Outcome as % of original budget	
	R		R		R		R		R		R		R		R		R		%		%	
2017																						
Assets																						
Infrastructure Assets	13 412 943		(7 364 279)								6 048 664		7 357 995				(1 309 331)		18%		-82%	
Community Assets	10 274 671		11 750 951								22 025 622		17 809 886				4 215 736		-24%		42%	
Land And Buildings	20 000 000		(16 000 000)								4 000 000		2 940 566				1 059 434		-36%		-580%	
Other Assets	2 569 386		703 959								3 273 345		2 725 435				547 910		-20%		6%	
Total Assets	46 257 000		(10 909 369)								35 347 631		30 833 882		0		4 513 749		-15%		67%	
Funding Sources																						
National grant	26 257 000		(4 746 000)								21 511 000		21 511 000				0		0%		-22%	
Provincial grant			2 000 000								2 000 000		2 000 000				0		0%		100%	
District grant			200 000								200 000		200 000				0		0%		100%	
Internal Funding	20 000 000		(8 364 000)								11 636 000		7 122 882				4 513 118		-63%		-181%	
Total Funding	46 257 000		(10 910 000)								35 347 000		30 833 882				4 513 118		-15%		67%	

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis on measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2016 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting policy only if the change:

- a) Is required by a Standard of GRAP; or listed below

GRAP 105: Transfer of Functions Between Entities Under Common Control

GRAP 106: Transfer of Functions Between Entities Not Under Common Control

GRAP 107: Mergers

- b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cash flow.

1.3 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management has made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue as set from Non exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions), as far as revenue from Non-exchange Transactions is concerned (See basis for preparation above), and in particular, whether the Municipality, when the goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Accounting Policies

Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39. Financial instruments – Recognised and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciated / amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable Values.

1.4 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Standards, Amendments to Standards and Interpretations issued and adopted

The following GRAP standards have been issued and have been adopted by the municipality:

- GRAP 21: Impairment of Non-cash generating Assets
- GRAP 23: Revenue from Non-exchange Transaction (Taxes and Transfer)
- GRAP 24: Presentation of Budget information in Financial Statements – issued November 2007
- GRAP 25: Employee benefits
- GRAP 26: Impairment of Cash-generating Assets
- GRAP 103: Heritage Assets
- GRAP 104: Financial Instruments

The following standards, amendments to standards and interpretation have been adopted by the municipality.

1.6 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value) its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Accounting Policies

Subsequent Measurement – Fair Value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at fair value at reporting date. Any gain or loss arising from the change in fair value of the property is included in surplus or deficit for the period in which it arises

Item	Useful life
Investment Property	30

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for assets which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any

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Financial Statements for the year ended June 30, 2017

Accounting Policies

Subsequent accumulated depreciation and subsequent accumulated impairment losses

SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

DEPRECIATION AND IMPAIRMENT

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Accounting Policies

1.7 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectation differs from the previous estimates, the change is accounted for as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

De-recognition of Property, Plant and equipment

The municipality changed its accounting policy for property, plant and equipment in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment have accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on Saturday, June 30, 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),

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- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.8 NON-CURRENT ASSETS HELD FOR

SALE INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when *the* sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to *the* asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is *the* carrying amount of *the* asset(s) given up.

SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 yrs
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

1.10 Intangible assets (continued)

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.11 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

1.12 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manger, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

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1.13 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.14 Leases

Finance leases as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest in discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in the statement of financial performance

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

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1.15 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

1.16 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosures in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective are practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.17 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets is recognised in the income statement. Finance charges are not capitalised.

1.18 Inventories

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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1.18 Inventories (continued)

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.19 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior

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periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

1.19 Impairment of cash-generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.20 Employee benefits

Employee benefits are all forms of consideration given by an Umuziwabantu Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as result of either, Municipalities decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality provided retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds administrators. Contribution are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficit identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible. Financial assumptions are based on market expectations, at the reporting date, for period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;

- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if and only if either;

- those changes were enacted before the reporting date; or

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner,

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for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.21 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provision are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discounted rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identify at least:
 - The business or part of a business concerned;
 - The principal locations affected
 - The location, function, and approximate number of employees who will be compensated for terminating their service
 - The expenditure that will be undertaken; and
 - When the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.22 Revenue from exchange transactions:

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis

Dividends are recognised on the date that the municipality becomes entitled to receive the dividends

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality not met the contribution, a liability is recognised.

1.23 Revenue from non-exchange transaction:

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic or service potential must be

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returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objective and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises and collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per GRAP 1

Assets arising from fines are measured at the estimate of the inflow of resources to the municipality.

1.24 Trade payables and borrowings

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re-classified. The nature and reason for the reclassification is disclosed.

1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.29 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.30 Trade and other receivables

Trade and other receivables are categorized as financial assets, loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified current.

1.31 Cash and cash equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried are amortised cost.

1.32 Budget information

Municipality's are typically subject to budgetary limits in the form of appropriation or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016. The budget for the economic entity includes all the entities approved budgets under its control

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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NOTES TO THE FINANCIAL STATEMENTS

	2 017 R	2016 R
2 Investment property		
Investment property	1 459 000	1 479 000

Reconciliation of Investment property	Opening balance	Disposals	Total
Investment property	1 479 000	(20 000)	1 459 000

Details of Property

Various land where council intends using it for future development and the fair value disclosed was based on the valuation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties. The properties are all vacant residential properties. The fixed date for the general valuation date is 1 July 2011.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3 Property, plant and equipment

	2017			2016		
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Valu Valuation	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	18 782 297		18 782 297	18 782 297	0	18 782 297
Buildings	32 263 377	(8 772 717)	23 490 660	32 217 377	(9 194 882)	23 022 496
Plant and machinery	9 304 471	(5 134 582)	4 169 889	9 150 585	(4 844 272)	4 306 314
Furniture and fixtures	1 989 155	(1 621 594)	367 561	2 028 968	(1 568 273)	460 696
IT equipment	3 114 239	(1 109 064)	2 005 175	2 142 125	(733 793)	1 408 333
Roads	145 983 184	(28 124 254)	117 858 930	130 992 631	(21 946 561)	109 046 071
Other property, plant and equipm	7 276 479	(3 933 996)	3 342 483	7 145 193	(3 841 501)	3 303 693
Other Leased Assets	962 800	(225 877)	736 923	890 915	(232 174)	658 741
Afforestation	2 611 190	(679 738)	1 931 452	2 328 472	(584 687)	1 743 786
Solid Waste	3 881 799	(1 309 879)	2 571 920	4 089 462	(1 933 366)	2 156 096
Electricity	12 812 127	(6 267 507)	6 544 620	12 715 276	(5 843 985)	6 871 292
Under construction	43 026 052		43 026 052	30 873 608		30 873 599
Total	282 007 170	(57 179 208)	224 827 962	253 356 911	(50 723 489)	202 633 413

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

3 Property, plant and equipment

Reconciliation of property, plant and equipment

	Opening balance	Additions	Prior year adjustments	Disposals	Other movements	Accumulated depreciation disposals	Useful life re-assessment	Depreciation	Impairment loss	Total
Land	18 782 297									18 782 297
Buildings	23 022 495	46 000					1 537 579	(1 115 415)		23 490 659
Plant and machinery	4 306 313	2 17 310		(63 424)		55 974	265 505	(611 788)		4 169 890
Furniture and fixtures	460 695	5 000		(44 813)		39 491	2 009	(94 822)		367 560
IT equipment	1 408 332	987 951		(15 837)		11 716	131	(387 118)		2 005 175
Roads	109 046 070	0		(600 231)	15 590 794	247 079		(6 424 772)		117 858 940
Other property, plant and equip	3 303 693	557 631	287 093	(713 438)		454 069	220 904	(767 467)		3 342 485
Other Leased Assets	658 742	226 354	(7 012)	(147 458)		88 475	103 808	(185 985)		736 924
Afforestation	1 743 785	11 458	303 159					(126 950)		1 931 452
Solid Waste	2 156 096	0	(207 663)				806 271	(182 784)		2 571 920
Electricity	6 871 292	97 257					3 040	(426 563)		6 545 026
Under construction	30 873 608	27 743 229			(15 590 794)					43 026 043
Total	202 633 418	29 892 190	375 577	(1 585 201)	0	896 804	2 939 247	(10 323 664)	0	224 828 371

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu municipality. Refer to Appendix B for more details on property, plant and equipment. The effective date of re-valuation of land was 1 July 2011, and an independent value, Millis Fitchet, was appointed to do the valuation. The valuation was determined at market related values or recent or recent market transactions at arms length.

4 Intangible assets

	2017		2016	
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost Valuation
Computer software	1 545 011	(61 336)	1 483 675	38 770
Reconciliation of Intangible assets	Open Balance	Additions	Total	Open Balance
	38 770	1 506 241	1 545 011	38 770
				Additions
				Total
				23 908
				(14 862)
				38 770

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
5 Employee benefit obligations		
Calculation of Post employment Medical Subsidy:		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	10.01 %	9.29 %
Healthcare cost inflation	8.27 %	8.33 %
Net discount rate	1.61 %	0.88 %
Example of mortality rates used were as follows:		
Average retirement age	Female 60	Male 65
Mortality during employment		SA85-90
Members withdrawn from services: (Average for males and females)		
Age 20	Female 24 %	Male 16 %
Age 30	18 %	12 %
Age 40	10 %	8 %
Age +50	4 %	4 %
Age +55	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	3 309 097	3 033 835
Fair value of plan assets		-
	3 309 097	3 033 835
Movements in the defined benefit obligations is as follows:		
Opening balance	3 033 835	2 619 938
Current service cost	308 396	245 463
Actuarial (gains)/losses	(279 023)	(21 936)
Benefit payments	(33 890)	(47 198)
Interest cost	279 779	237 568
	3 309 097	3 033 835
Post-employment medical benefits loss	n/a	n/a
Medical (gain) / loss	3 309 097	3 033 835
	3 309 097	3 033 835
Statement of Financial performance obligation for:		
Medical (gain) / loss	(279 023)	(21 936)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
5 Employee benefit obligations (continued)		
Calculation of actuarial gains and losses (Long Service Bonus Awards Actuarial Valuation)		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.59 %	8.64 %
Healthcare cost inflation	6.41 %	7.28 %
Net discount rate	2.05 %	1.26 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	60	65
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	24 %	16 %
Age 30	18 %	12 %
Age 40	10 %	8 %
Age 50	4 %	4 %
Age +55	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	1 617 677	1 549 464
Fair value of plan assets		-
	1 617 677	1 549 464
Actuarial (gains)/losses - Obligation	1 549 464	1 333 184
Current service cost	197 530	121 051
Actuarial (gains)/losses	(212 761)	9 443
Benefit payment	(43 872)	(20 981)
Interest cost	127 315	106 767
	1 617 677	1 549 464
Statement of Financial performance obligation for:		
Post-employment benefits loss	n/a	n/a
Long service award (gain) / loss	1 617 677	1 549 464
	1 617 677	1 549 464
Post-employment benefits loss	n/a	n/a
Long service award (gain) loss	(212 761)	9 443
	(212 761)	9 443

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
	R	R

5 Employee benefit obligations (continued)**Key assumptions used**

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36% as per the SALGBC circular no: 02/2017. The next salary increase was assumed to take place in 1 July 2018.

Health Care Cost Inflation

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs(for example, due to technological advances or changes in utilisation patterns).

A health care cost inflation rate of 8.27% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 6.77%. A larger differential would be unsustainable, eventually forcing members to less expensive options

Replacement ratio

This is the expected pension as a percentage of the final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contributions rate tables are income-dependant. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

6 Plantation Inventories

Opening Balance	29 307 519	23 205 643
Gains / (Losses) on changes in plantation standing timber value	(1 499 676)	6 101 876
Total	27 807 843	29 307 519

Plantation inventories represents consumable biological assets held for harvest as an agricultural produce and yet to attain harvestable specifications. The movement during the year represents a loss from changes in fair value of R 1 499 676. Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future flows from the asset discounted at a market determined pre-taxation rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

7 Inventories

Inventory - Electrical equipment	245 497	76 060
Store stock	208 975	67 426
Afforestation scheme	62 106	417 006
	516 578	560 491

The inventory value is considered as the lower of cost or net realisable value.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
8 Receivables from exchange transactions		
Trade debtors	3 143 200	2 424 183
Deposits	10 400	10 400
	3 153 600	2 434 583

The Credit Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as these amounts are considered to be fully recoverable.

9 VAT

VAT receivable	1 228 962	2 588 574
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

10 Consumer debtors**Gross balances**

Rates	11 500 457	9 353 087
Electricity	4 254 744	3 094 334
Refuse	596 402	441 560
Traffic Fines	1 731 520	1 300 670
	18 083 123	14 189 651

Less: Allowance for impairment
Provision for bad debts

(2 328 085)	(1 551 419)
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Net Balance

Rates	11 500 457	9 353 087
Electricity	4 254 744	3 094 334
Refuse	596 402	441 560
Traffic Fines	1 731 520	1 300 670
Provision for bad debts	(2 328 085)	(1 551 419)
	15 755 037	12 638 232

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
	R	R
10 Consumer debtors (continued)		
Net balance	18 083 123	14 189 651
Rates		
Current (0 - 30)	936 509	466 486
31 - 60 days	578 234	436 859
61 - 90 days	483 808	299 629
91 - 120 days	258 154	265 439
121 - 365 days	1 425 740	235 932
> 365 days	7 818 012	7 648 742
	11 500 457	9 353 087
Electricity		
Current (0 - 30)	1 554 364	2 048 260
31 - 60 days	1 000 457	850 591
61 - 90 days	221 618	57 107
91 - 120 days	140 407	7 524
121 - 365 days	221 397	4 666
> 365 days	648 238	126 188
	3 786 480	3 094 334
Refuse		
Current (0 - 30)	167 273	163 039
31 - 60 days	87 323	100 770
61 - 90 days	55 472	42 882
91 - 120 days	33 681	22 334
121 - 365 days	87 339	14 525
> 365 days	165 314	98 008
	596 402	441 560
Traffic Fines		
> 365 days	1 625 870	1 300 670
Other (specify)		
> 365 days	(2 328 085)	(1 551 419)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
10 Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 - 30)	1 339 444	1 073 048
31 - 60 days	891 783	968 455
61 - 90 days	413 824	303 688
91 - 120 days	219 430	220 074
121 - 365 days	1 146 519	499 259
> 365 days	4 495 605	4 035 620
	8 506 606	7 100 143
Industrial / Commercial		
Current (0 - 30)	1 297 003	1 227 407
31 - 60 days	499 322	341 828
61 - 90 days	239 965	94 433
91 - 120 days	153 492	74 320
121 - 365 days	398 859	65 335
> 365 days	2 512 194	2 123 755
	5 100 836	3 927 079
National and Provincial government		
Current (0 - 30)	21 699	377 330
31 - 60 days	274 909	77 937
61 - 90 days	107 109	1 497
91 - 120 days	59 319	904
121 - 365 days	189 097	833
> 365 days	1 628 616	1 403 260
	2 280 749	1 861 759
Total		
Current (0 - 30)	2 658 146	2 677 785
31 - 60 days	1 666 014	1 388 219
61 - 90 days	760 898	399 618
91 - 120 days	432 242	295 298
121 - 365 days	1 734 476	565 427
> 365 days	10 725 696	8 863 304
	17 977 472	14 189 651
Less: Allowance for impairment	(2 328 085)	(1 551 419)
	15 649 386	12 638 232
Provision for debt impairment		
91 - 120 days	(167 850)	(29 858)
121 - 365 days	(79 216)	(19 191)
> 365 days	(2 081 019)	(1 502 369)
	(2 328 085)	(1 551 419)

The Credit Control Policy state that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of the outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as there amounts are considered to be fully recoverable.

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2017
NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
11 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	483	898
Bank balances	3 864 266	9 309 868
Short-term deposits	126 066 323	101 529 300
	129 931 073	110 840 066

The municipality had the following bank accounts

Account number / description			Bank statement balances		Cashbook balances	
			30 June 2017	30 June 2016	30 June 2017	30 June 2016
FNB - Account number :	61240006266	Investment account	498 065	479 066	498 065	479 066
FNB - Account number :	62618238655	Investment account	14 885 509	13 903 307	14 885 509	13 903 307
FNB - Account number :	62605479767	Investment account	10 785 579	5 135 796	10 785 579	5 135 796
Nedbank - Account number :	0371 6501 8956/01	Investment account	345 039	324 221	345 039	324 221
Nedbank - Account number :	0371 6501 5337/01	Investment account	327 961	403 017	327 961	403 017
Nedbank - Account number :	0371 6501 4802/0016	Investment account	4 303 792	4 044 112	4 303 792	4 044 112
Nedbank - Account number :	0371 6501 4802/01	Investment account	1 877 992	1 764 678	1 877 992	1 764 678
Nedbank - Account number :	0371 6501 8956/18	Investment account	638 319	599 531	638 319	599 531
Nedbank - Account number :	0371 6501 3008/39	Investment account	-	19 667 495	-	19 667 495
Nedbank - Account number :	0371 6501 3008/49	Investment account	21 062 422	-	21 062 422	-
Nedbank - Account number :	0371 6501 5337/01	Investment account	-	10 605 938	-	10 605 938
Nedbank - Account number :	037165013415/03	Investment account	1 034 122	1 148 478	1 034 122	1 148 478
Nedbank - Account number :	116 503 3615	Primary Account	3 831 246	9 220 811	3 864 266	9 309 868
Nedbank - Account number :	0371 6502 6169/01	Investment account	3 343 360	-	3 343 360	-
Nedbank - Account number :	0371 6501 3415/12	Investment account	19 000 000	-	19 000 000	-
Investec - Account number :	1100529803451	Investment account	33 275 708	31 155 756	33 275 708	31 155 756
Investec - Account number :	1100 5298 03452	Investment account	-	10 123 616	-	10 123 616
Investec - Account number :	1100 5298 03453	Investment account	14 202 822	-	14 202 822	-
FNB - Account number :	50932742767	Current-Afforestation	485 634	2 163 491	485 634	2 174 289
Cash float on hand			483	898	483	898
			-	-		
			129 898 053	110 740 211	129 931 073	110 840 066

12 Revaluation reserve

Opening balance	26 468 400	26 468 400
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13 Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2017

	Capital replacement	Capitalisation reserve	Donations and Public Contribution	Actuary	Total
Opening balance	2 570 196	3 981 424	142 352		6 693 972

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017	2016
	R	R
14 Finance lease obligation		
Minimum lease payments due		
-within one year	320 933	261 866
-in second to fifth year	293 963	408 897
	614 897	670 763
less: future finance charges		0.00
Present value of minimum lease payments	614 897	670 763
Non-current liabilities	293 963	408 897
Current liabilities	320 933	261 866
	614 897	670 763

It is Umuziwabantu Municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments.

15 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Small Ton Rehabilitation Grant	3 301 224	3 301 224
Land Use Management Systems Grant (LUMS)	73 000	73 000
Government Expect Grant	7 890	7 890
IDP (Public participation) Grant	-	57 500
Disaster Management Grant	128 003	317 163
	3 510 117	3 756 777

Movement during the year

Balance at the beginning of the year	3 756 777	10 540 953
Additions during the year	27 967 000	23 988 504
Income recognition during the year	(28 213 660)	(30 772 680)
	3 510 117	3 756 777

These amounts are invested until utilised.

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R	
16 Provisions			
Reconciliation of provisions 2017			
	Opening balance	Movements	Total
Environmental rehabilitation	3 440 675	326 864	3 767 539
Provision for Accrued Leave	2 701 905	9 489	2 711 394
Present value of minimum lease payments	6 142 580	336 353	6 478 933

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date.

The Harding general waste landfill site is amortised over a period of 25 years as per USK Consulting report (engineer). The present value at inception for this rehabilitation is R21 131 293.68. The present value is calculated as follows:

Interest - 9.5%
Number of years - 25

The present value is R 3 767 539 that was capitalised as at end of 2016/17 financial year. The depreciation is calculated on the straight line basis. The provision of the landfill site increases at a 9.5% rate per annum. In the current financial year an amount of R 326 864 increased the provision.

The Landfill site is registered with the Department of Environmental Affairs.

17 Payables from exchange transactions

Trade payables	2 529 482	3 522 402
Accrued bonus	1 969 882	1 696 795
Housing creditors	-	364 077
Other creditors	793 794	287 025
Retention	1 373 349	2 079 844
	6 666 508	7 950 143

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

18 Consumer deposits

Electricity	527 247	521 657
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UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
19 Revenue		
Afforestation Scheme sales	8 277 065	9 701 124
Services charges	31 299 363	29 538 570
Rental of facilities	75 339	37 861
Licence and permits	2 077 724	2 199 713
Other income	2 675 066	2 677 387
Interest received - investments	10 006 166	7 270 711
Property rates	15 742 605	14 732 877
Property rates - penalties	1 158 159	855 466
Government grants and subsidies	77 430 871	82 571 119
Capital grants	27 159 788	24 523 220
Fines, Penalties and forfeits	456 095	358 864
	176 358 240	174 466 913

The amount included in revenue arising from exchange of goods or services are as follows:

Afforestation Scheme sales	8 277 065	9 701 124
Services charges	31 299 363	29 538 570
Rental of facilities	75 339	37 861
Licence and permits	2 077 724	2 199 713
Other income	2 675 066	2 677 387
Interest received - investments	10 006 166	7 270 711
	54 410 722	51 425 366

The amount included in revenue arising from non-exchange transactions are as follows:

Property rates	15 742 605	14 732 877
Property rates - penalties	1 158 159	855 466
Government grants and subsidies	77 430 871	82 571 119
Capital grants	27 159 788	24 523 220
Fines, Penalties and forfeits	456 095	358 864
	121 947 518	123 041 546

20 Property rates**Rates received**

Residential	4 130 437	3 780 206
Commercial	6 010 487	5 483 352
State	5 311 982	4 953 051
Agriculture	479 119	440 380
Public Service Infrastructure	2 624	12 074
Tourism	67 129	63 815
	16 001 778	14 732 877
less: Income foregone	(259 173)	(204 283)
Property rates - penalties imposed	1 158 159	855 466
	16 900 764	15 384 060

All registered indigents receive a monthly subsidy of 100% rebate on rates which is funded from the Equitable Share Grant

Valuations

Residential	425 524 633	421 261 633
Commercial	382 254 000	382 974 000
State	450 613 000	436 008 000
Agriculture	337 536 000	337 536 000
Public Service Infrastructure	5 750 000	5 750 000
Communal	98 380 000	98 380 000
Municipal	24 430 000	24 450 000
Public Benefit Organisation	35 622 000	34 752 000
Tourism	11 250 000	11 250 000
	1 771 359 633	1 752 361 633

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Residential, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest is levied on outstanding rates. The new general valuation will be implemented on 01 July 2017.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
21 Service charges		
Sale of electricity	29 182 596	27 578 735
Refuse removal	2 116 768	1 959 835
	31 299 363	29 538 570

22 Operational Grants

Equitable Share Grant	68 986 092	73 121 084
Other Government Grants	1 360 170	1 760 460
Free Basic Electricity: Equitable share	3 392 609	3 200 575
Financial Management Grant	1 825 000	1 800 000
Provincialisation of libraries (Cyber cadet) Grant	179 000	170 000
Municipal Systems Improvement Grant	-	930 000
CBD M/Plan & T/Planning Scheme Grant		
Library Subsidy Grant	559 000	553 000
EPWP Grant	1 129 000	1 036 000
	77 430 871	82 571 119

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable share*Operating:*

Current year receipts	68 986 092	73 121 084
Conditions met - transferred to revenue	(68 986 092)	(73 121 084)
	-	-

Capital:

Current year receipts	7 390 908	3 200 916
Conditions met - transferred to revenue	(7 390 908)	(3 200 916)
	-	-

In terms of the Constitution, this Unconditional grant is used to subsidise the provision of basic services. It has been utilised to co-fund operating activities to assist the municipality to efficiently provide service delivery (see note 15)

NEP Grant (Eskom)

Balance unspent at beginning of year	-	283 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(283 000)
	-	-

Conditions is still to be met - remain liabilities

This grant was provided by Eskom to the municipality to address the backlog of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Library Support Grant

Current year receipts	559 000	553 000
Conditions met - transferred to revenue	(559 000)	(553 000)
	-	-

Conditions have been met. This grant is received from the KZN Department of Arts and Culture and is used to subsidise the day to day operating for the Harding Town Library.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
22 Operational Grants(continued)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of the year	-	-
Current year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Other	-	-
	-	-

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were to set up to assist the municipality in developing their planning, budgeting, financial management and technical services.

Expanded Public Works Programme Grant (EPWP)

Current year receipts	1 129 000	1 036 000
Conditions met - transferred to revenue	(1 129 000)	(1 036 000)
	-	-

Conditions has been met. This grant was received from the Department of Public Works and it is utilised for job creation to alleviate poverty.

Strategy Environmental Assessment Grant

Balance unspent at beginning of year	-	256 989
Current year receipts	-	-
Conditions met - transferred to revenue	-	(256 989)
	-	-

Conditions have been met This grant was received from the Department of Agriculture to do an Environmental Assessment within the municipality.

Small Town Rehabilitation Grant

Balance unspent at beginning of year	3 301 224	755 752
Current year receipts	2 000 000	3 000 000
Conditions met - transferred to revenue	(2 000 000)	(454 528)
	3 301 224	3 301 224

Conditions is still to be met - remains a liability. This grant was received from KZN COGTA in regards to small town rehabilitation.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	-

The Condition has been met. This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial, asset and risk management in municipalities. The grant also provides funding for an internship programme.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
22 Operational Grants(continued)		
Land Use Management System Grant (LUMS)		
Balance unspent at beginning of the year	73 000	73 000
Current year receipts		-
Conditions met - transferred to revenue		-
	73 000	73 000

Condition is still to be met - remains a liability. This grant was provided to assist in the development of Land Use Management Systems.

Library Cyber Cadet Grant

Current year receipts	179 000	170 000
Conditions met - transferred to revenue	(179 000)	(170 000)
	-	-

Condition has been met. This grant was received from the KZN Department of Arts and Culture for capacity building and support on information Technology at the Harding Library.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	8 789 659
Current year receipts	22 275 000	22 672 000
Conditions met - transferred to revenue	(22 275 000)	(31 461 659)
	-	-

Conditions have been met. This grant is used to address backlogs in municipal infrastructure required for the provision of basic services

Government Expert Grant

Balance unspent at beginning of year	7 890	7 890
Current year receipts		-
Conditions met - transferred to revenue		
	7 890	7 890

Conditions is still to be met - remains a liability. This grant was used for capacity building in low capacity municipalities.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
22 Operational Grants(continued)		
Public Participation Grant		
Balance unspent at beginning of the year	57 500	57 500
Current year receipts	-	-
Conditions met - transferred to revenue	(57 500)	-
	<u>-</u>	<u>57 500</u>

Conditions have been met - This was received from KZN Department of COGTA and is utilised to print Municipal Interpreted Development Plan booklets

Disaster Management Grant

Balance unspent at beginning of the year	317 163	317 163
Current year receipts		317 163
Conditions met - transferred to revenue	(189 160)	(317 163)
	<u>128 003</u>	<u>317 163</u>

Conditions have been met - This was received from Ugu District Municipality and is utilised for disaster Management

23 Capital Grants

Municipal Infrastructure Grant	21 161 490	23 867 719
Small Town Rehabilitation Grant	2 000 000	454 528
Equitable Share - Capex	3 998 298	-
Disaster Management	-	200 973
	<u>27 159 788</u>	<u>24 523 220</u>

Capital Grants consist of the above.

24 Other Income

Other revenue	2 301 948	2 369 922
Building plans fees	178 696	171 951
Burial Fees	86 742	53 326
Hall hire and facilities	107 680	82 188
	<u>2 675 066</u>	<u>2 677 387</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
25 General Expenses		
Internal Audit	995 701	129 957
Advertising	218 444	262 427
Auditors remuneration	1 451 795	1 138 614
Bank charges	44 743	56 956
Consulting and Professional fees	174 542	350 238
Stores and materials	678 297	730 228
Entertainment	238 900	
Insurance	173 202	200 175
Conference and seminars	1 457 572	677 367
IT Expense	19 700	86 880
Levies	359 276	311 595
Motor vehicle expenses	89 282	173 270
Fuel and oil	2 184 837	1 511 709
Operating lease payments (rents)	260 857	243 200
Postage and courier	47 420	75 246
Printing and stationery	271 668	257 024
Promotions	97 187	
Protective clothing	283 779	112 196
Town planning scheme		7 299
Legal expenses	261 448	23 246
Employee Assistant programme	117 209	67 605
Subscriptions	601 497	27 436
Telephone and fax	976 670	900 080
Training	243 096	377 874
Travel - local	280 748	106 335
Valuation of properties	1 332 805	760 097
Tools and Equipment	140 451	37 913
Electricity	550 028	792 178
Water	296 172	398 100
Refuse	120	
Job evaluation	5 578	
Office equipment		
Office expenses	363 750	1 133 015
LED fund	486 355	710 774
Special Programmes	2 246 273	3 682 137
Free basic services	1 870 803	1 818 496
Electrification expense		100 782
Afforestation expenses		
Public Participation	1 210 243	690 870
Disaster Management	70 204	98 600
Bursary	199 396	-
Caucus	243 631	-
EPWP	1 125 557	-
FMG	1 821 319	-
Grass Cutting	395 773	-
MIG	1 113 750	-
Prepaid Commission	571 000	-
Other expenses	1 193 472	2 113 765
	26 764 551	20 163 682

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
26 Employee related costs		
Basic	28 439 332	26 279 778
Medical aid - company contributions	2 073 208	1 568 611
UIF	313 515	256 111
Leave pay provision charge	384 185	688 469
Pension fund	4 937 255	4 330 666
Overtime payments	4 971 028	3 631 728
Housing benefits and allowances	505 761	429 053
Car allowances	2 433 822	2 209 978
Bargaining council levy	15 877	14 812
Cellphone	419 072	348 166
	44 493 055	39 757 372
 Remuneration of Municipal Manager: Mr SD Mbhele (549)		
Annual Remuneration	931 091	874 205
Car allowance	169 587	159 226
Contributions to UIF, Medical aid and pension fund	231 109	74 164
Performance Bonus	254 946	-
	1 586 733	1 107 595
 Remuneration of Chief Financial Officer: Ms ST Mhlongo (11068) Contract Ended 31/10/2015		
Annual Remuneration	-	221 323
Contributions to UIF, Medical aid and pension fund	-	199 338
	-	420 661
 Remuneration of Director: Community Services: Mr W Gumede (11015)		
Annual Remuneration	754 391	708 301
Car allowance	106 848	100 320
Contributions to UIF, Medical aid and pension fund	63 562	37 592
Performance Bonus	183 545	-
	1 108 346	846 213
 Remuneration of Director: Technical Services: Mr S Malinga (110115)		
Annual Remuneration	644 569	597 090
Car allowance	126 000	120 000
Contributions to UIF, Medical aid and pension fund	71 888	40 770
Performance Bonus	80 726	-
	923 183	757 860

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
27 Remuneration of councillors		
Councillors	6 472 818	5 807 120
Telephone allowance	310 915	367 087
	6 783 733	6 174 207
Mayor: Hon. D.Nciki (2031)	770 382	782 480
Deputy Mayor: Cllr MB Gavu (2023)	82 242	630 878
Deputy Mayor: Cllr TN DZINGWA (2044)	580 235	
Speaker: Cllr AD Ngubo (2030)	67 697	676 127
Speaker: Cllr MV Nyathi (2025)	625 311	
Exco Member: Cllr NB Dlamini (2000)	62 892	592 978
Exco Member: Cllr MV Vezi (2013)	418 692	
Exco Member: Cllr SJ Ncwane (2055)	389 495	
MPAC chair Cllr HJ Ngubelanga (2027)	300 158	319 427
Other Councillors	3 486 629	3 172 317
	6 783 733	6 174 207
In-kind benefits		
The Executive Mayor, Deputy Mayor, speaker and Mayoral Committee members are full time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties and has one full time driver.		
28 Administrative expenditure		
Administration and management fees - third party (afforestation)	318 615	360 827
Administration and management fees - related party (afforestation)	4 867 482	4 676 332
	5 186 097	5 037 159
29 Debt impairment		
Debt impairment	776 666	173 580
30 Investment revenue		
Interest revenue - Bank	10 006 166	7 270 710
The amount disclosed in the Investment revenue arising from the invested funds that are not immediately required.		
31 Changes in value of plantation		
Plantation standing timber - Afforestation scheme	(1 499 676)	6 101 876
The decrease in value was mainly due to the decrease in Rand price for Acacia and Eucalyptus on the weaker rand exchange rate to the Dollar. Refer to Note 6 for details of the plantation stock.		
32 Depreciation and amortisation		
Property, plant and equipment	10 370 543	11 430 414
33 Finance costs		
Finance leases	812 533	38 206
34 Auditors' remuneration		
Expenses	1 451 795	1 138 614
35 Operating Lease		
Describe the leasee's significant leasing arrangements which include:		
- basis on which contingent rent payable is determined		
- the existence and terms of renewal or purchase options and escalation clauses; and		
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
36 Rental of facilities and equipment		
Rental of facilities and equipment	82 188	37 861
37 Contracted services		
Security	2 499 586	2 084 375
38 Grants and Subsidies paid		
Contributions to UGU (South Coast Tourism)	1 337 400	327 267
39 Bulk purchases		
Electricity purchases	25 047 668	22 923 839
Electricity Distribution losses - amount	1 499 662	869 501
Electricity Distribution losses - %	6%	4%
Losses are contained within the National Energy Regulation of South Africa (NERSA) norms of between 4% and 10%		
40 Cash Generated from operations		
Surplus	41 773 606	63 702 204
Adjustments for:		
Depreciation and amortisation	10 370 543	11 651 435
(Loss) gain on sale of assets and liabilities	658 436	12 493
Changes in value of plantation	1 499 676	6 101 876
Debt impairment	776 666	173 580
Other liabilities	7 384	(69 376)
Finance cost	-	28 578
Prior adjustment		-
Movement in PPE		-
Changes in working capital:		
Inventories	43 913	(123 030)
Receivable from exchange transactions	(719 017)	(1 478 402)
(increase)/decrease in other receivables	(1 060 201)	(1 655 551)
(increase)/decrease in investment property	-	-
(increase)/decrease in borrowings	336 353	736 004
(increase)/decrease in trade payables		-
(increase)/decrease in conditional grants and receipts		-
Payables from exchange transactions	(1 283 635)	(2 515 895)
Unspent conditional grants and receipts	(246 660)	(6 784 176)
Consumer deposits	5 590	6 579
	52 162 654	69 786 319

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
41 Commitments		
Authorised capital expenditure		
Commitments in respect of capital expenditure Approved and Contracted		
Infrastructure	27 497 802	26 558 046
Community		1 380 184
Other	6 746 408	5 266 308
Commitments in respect of operating expenditure Approved and Contracted		
Operating expenses	6 910 755	9 631 336
	41 154 966	42 835 874
Approved but not yet contracted for and authorised by council		
Infrastructure	46 530 000	40 342 275
Community	8 500 000	
Other	6 160 000	1 069 177
Operating expenses		
	61 190 000	41 411 452
Total Commitments	102 344 966	84 247 326

This committed expenditure relates to property, plant and equipment and will be finance by available bank facilities, retained surpluses, existing cash resources, funds internally generated and other grants to be received from other shares of government etc.

42 Related parties

Controlled Afforestation Scheme
Councillors
Key management personnel

Refer to note 54
Refer to note 27
Refer to note 26

Related party transactions:

No transactions have been identified that were not in an arm's length.

43 Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 357 023 900 and that the municipality's total liabilities are R 22 700 816 of its Net Assets of R 383 439 254. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44 Events after the reporting date

no events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

45 Unauthorised expenditure

Umuziwabantu Municipality did not incur any unauthorised expenditure during 2016/2017 financial year.

46 Fruitless and wasteful expenditure

Umuziwabantu Municipality did incur fruitless and wasteful expenditure during 2016/2017 financial year.

228 021	-
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47 Irregular expenditure

Opening balance	6 860 737	34 650
Add: Irregular expenditure-current year	6 422 723	6 826 087
Less: amount written off after investigation by council	6 860 737	-
Closing balance - Irregular expenditure	6 422 723	6 860 737

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
48 Contingent Liabilities: (Litigation matters) R 4 219 420.16 due to Municipal By-Laws implementation disputes and SMECSA, Molbro Properties, Payn Brothers and Department of Labour claiming for outstanding payments based on their work done without approved variation orders.		
49 Contingent Liabilities: Wage Curve Agreement		
On 21 April 2010 SALGA signed the "categorisation and job evaluation wage curves collective agreement"(wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees based on an evaluation of employees jobs per the Task job evaluation system. Subsequent to the signing of the agreement the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with the effect 1 July 2010 instead of 1 July 2011. SALGA on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have a additional payable for employee wages, depending on the outcome of the pending litigation and finalisation of the job evaluation. As a result of the above standing issues it is not practice to reliably estimate the amount of this payable.		
50 Contingent Liabilities: VAT payable to UGU S/C Tourism	-	(191 213)
The contingent liability relates to the VAT payable to UGU South Coast Tourism for the Transfers made to the municipal entity, which was previously treated as Grants and therefore were zero rated for the entity. At the reporting date, SARS has verbally indicated that the taxable treatment for the Transfers must only be applied prospectively, however there has been no written correspondence from SARS to confirm that position. The municipality has prudently raised the Contingent Liability relating to this matter. This matter has since been resolved during 2016/17.		
51 Contingent Asset: Vat receivable	-	191 213
The contingent asset relates to the VAT receivable from SARS for the Transfers made to the Ugu South Coast Tourism, which were previously treated as Grants and therefore were zero rated for the entity. At the reporting date, SARS has verbally indicated that the taxable treatment for the Transfers must be applied prospectively, however there has been no written correspondence from SARS to confirm that position. The municipality has prudently raised the Contingent Asset relating to this matter. This matter has since been resolved during 2016/17.		
52 Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Current year subscriptions / fee	540 000	983 712
Amount paid - current year	(540 000)	(983 712)
	-	-
Audit fees		
Current year subscriptions / fee	1 451 795	1 138 614
Amount paid - current year	(1 451 795)	(1 138 614)
	-	-
PAYE and UIF		
Current year subscriptions / fee	6 786 661	5 725 026
Amount paid - current year	(6 786 661)	(5 725 026)
	-	-
Pension and Medical Aid deductions		
Current year subscriptions / fee	10 500 872	9 389 390
Amount paid - current year	(10 500 872)	(9 389 390)
	-	-
Councillors accounts in arrear		
There are no councillors who had arrear accounts outstanding for more than 90 days as at 30 June 2017.		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS**2017****R****2016****R****53 Budget differences**

Material difference between budget and actual amounts, please refer to Appendix E

54 Afforestation

The municipality's plantation are known as the Umuziwabantu Municipality Harding Afforestation Scheme. This scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by the Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (PTY) Ltd, wholly owned by subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (PTY) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (PTY) Ltd is not entitled to any payment other than to recovery of direct costs should the forestry operation not make a profit or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (PTY) Ltd negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operation has been incorporated on a line by line basis into the financial statements.

55 Private public partnership

The municipality was not a party to any Private Public Partnerships during the financial year 2016/2017.

56 Housing Development Fund

Property, plant and equipment
Housing Rental Debtors
Cash Resources
Creditors

-	763 053
-	47 620
6 216 334	5 808 790
-	(358 977)
6 216 334	6 260 486

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	2017 R	2016 R
57 Supply chain section 36 deviations		
(I) IN AN EMERGENCY	458 401	101 795
(II) IF SUCH GOODS OR SERVICES ARE PRODUCED OR AVAILABLE FROM A SINGLE SUPPLIER ONLY	48 393	102 424
(V) IN ANY OTHER EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESSES	3 596 128	1 790 275
	4 102 922	1 994 493
58 Prior year Adjustments		
Depreciation for finance lease overstated in prior year	(280 081)	
Landfill site cost overstated in prior years	207 633	
Landfill site depreciation overstated in prior year	(780 720)	
PPE re-assessment of useful life - Assets becoming fully depreciated in beginning of the year	(1 991 153)	
Depreciation for finance lease overstated in prior year	206 595	(324 124)
Depreciation for finance lease overstated in prior year	(103 808)	
PPE re-assessment of useful life - Assets becoming fully depreciated in beginning of the year	(96 595)	
	(2 838 128)	(324 124)

The adjustments relates to the errors have been identified during the year on assets. The impact is the increase in the carrying value of assets, with a corresponding increase in the Accumulated Surplus.

59 RISK MANAGEMENT
59.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	129 931 073	110 840 066
Trade and other receivables	3 153 600	2 434 583
Receivables from exchange transactions	18 083 123	14 189 651

59.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Not later than one month	Later than one month and not later than three months
2017		
Payables from exchange transactions	6 666 508	-
Consumer deposits	527 247	-
Unspent grants and receipts	3 510 117	-
	Later than three months and not later than one year	Later than one year and not later than five years
2016		
Payables from exchange transactions	7 950 143	-
Consumer deposits	521 657	-
Unspent grants and receipts	3 756 777	-

59.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

APPENDIX A

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2017

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2016

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2009 R	Received during the Period R	Interest paid during the period R	Redeemed written off during the period R	Balance 30/06/2010 R	Carrying Value of Property Plant & Equipment R	Other Costs In Accordance with the MFMA R
Annuity Loans										
TOTAL EXTERNAL LOANS										

Note

THE MUNICIPALITY HAS NO LOANS AT REPORTING DATE.

APPENDIX B
UMUZWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2017

	Opening Balance	Fair Value	Additions	Disposals	Asset Transfers	Cost /Revaluation Revaluations Adjustments	Prior Year Adjustment	Closing Balance	Opening Balance	Adjustment	Accumulated Depreciation Current Year	Disposals	Write Downs	Impairments	Closing Balance	Carrying Value
Land	18 782 297	-	-	-	-	-	-	18 782 297	-	-	-	-	-	-	-	18 782 297
Buildings	32 217 377	-	46 000	-	-	-	-	32 263 377	9 194 882	(4 537 579)	1 115 415	-	-	-	8 772 717	23 490 680
Infrastructure	145 404 123	-	97 257	(600 231)	15 590 764	-	-	160 494 933	28 578 822	(21 590)	6 961 670	(247 079)	-	-	35 264 923	125 227 010
Roads	130 982 631	-	-	(600 231)	15 590 764	-	-	145 983 184	21 946 561	(20 651)	6 424 772	(247 079)	-	-	28 124 254	117 858 930
Solid Waste	1 696 217	-	-	-	-	-	-	1 696 217	788 377	(20 651)	109 930	-	-	-	872 756	823 460
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	12 715 276	-	97 257	-	-	-	-	12 812 533	5 843 984	(3 040)	426 968	-	-	-	6 267 913	6 544 820
Assets Under Construction	30 873 608	-	27 743 229	-	(15 590 785)	-	-	43 026 052	-	-	-	-	-	-	-	43 026 052
Other	20 466 871	-	1 767 892	(837 512)	-	-	287 093	21 684 344	10 987 839	(488 549)	1 861 196	(581 250)	-	-	11 799 236	9 885 108
Furniture & Office Equipment	2 028 968	-	5 000	(44 913)	-	-	-	1 989 155	1 568 273	(2 005)	94 822	(39 491)	-	-	1 621 584	367 560
Transport Assets	7 145 193	-	557 631	(713 436)	-	-	287 096	7 276 479	3 841 500	(220 504)	767 467	(454 069)	-	-	3 933 996	3 342 483
Computer Equipment	2 142 125	-	987 951	(15 837)	-	-	-	3 114 239	733 793	(131)	387 118	(11 716)	-	-	1 109 084	2 005 175
Machinery and Equipment	9 150 585	-	217 310	(63 423)	-	-	-	9 304 471	4 844 272	(266 905)	611 788	(55 974)	-	-	5 134 582	4 169 889
Finance Leases	890 916	-	226 354	(147 458)	-	-	(7 042)	962 800	232 175	(103 895)	185 985	(88 475)	-	-	225 877	736 923
Afforestation (consolidated)	2 296 573	-	11 458	-	-	-	303 159	2 611 190	552 788	(780 730)	126 950	-	-	-	679 738	1 831 452
Solid Waste (Landfill Site)	2 393 245	-	-	-	-	-	(287 093)	2 185 592	1 144 989	-	72 854	-	-	-	437 123	1 748 459
	325 325 010	-	29 892 190	(1 585 200)	(0)	-	375 577	282 007 576	50 691 595	(2 939 247)	10 324 070	(896 804)	-	-	57 179 614	224 827 963

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Opening Balance	Fair Value	Additions	Disposals	Cost /Revaluation Adjustments	Prior Year Adjustment	Closing Balance	Opening Balance	Accumulated Depreciation Current Year	Disposals	Impairments	Closing Balance	Carrying Value
Intangible Assets	38 770	-	1 506 242	-	-	-	1 545 011	14 862	46 474	-	-	81 336	1 483 676

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2017

	Opening Balance	Fair Value	Additions	Disposals	Cost /Revaluation Adjustments	Prior Year Adjustment	Closing Balance	Opening Balance	Accumulated Depreciation Current Year	Disposals	Impairments	Closing Balance	Carrying Value
Investment Properties	1 479 000	-	(20 000)	-	-	-	1 459 000	-	-	-	-	-	1 459 000

NOTES:

FINANCE LEASED ASSETS

Incorrect calculation of the finance lease value has been adjusted this financial year resulting in a prior year error

TRANSPORT ASSETS

2 vehicles were procured in the previous financial year and added after the AFS were completed resulting in a prior year error

USEFUL LIFE RE-ASSESSMENT FOR DEPRECIATION

A re-assessment of useful life was undertaken for all assets coming to the end of their useful life this financial year. Prior year error due to assets becoming fully depreciated at the beginning of the current financial year

SOLID WASTE (LANDFILL SITE)

Adjustment related to Solid waste depreciation values not being included in the previous financial year

DEPRECIATION PRIOR YEAR ERROR

Due to over depreciation of Assets in previous year (listed in Previous Year Depreciation Err)

APPENDIX C
UMUZIWABANTU MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2017

	Cost			Accumulated Depreciation							Carrying Value					
	Opening Balance	Fair Value 2016/2017	Additions 2016/2017	Disposals 2016/2017	Asset Transfer 2016/2017	Revaluations Adjustments 2016/2017	Prior Year Adjustment	Closing Balance	Adjustment	Depreciation 2016/2017		Disposals 2016/2017	Write Downs 2016/2017	Impairments 2016/2017	Closing Balance	
Municipal Manager	4 250 139	-	19 897	(147 436)	-	-	-	4 122 600	719 038	(1 907)	163 285	(59 037)	-	-	821 379	3 301 221
Mayor	44 066	-	-	-	-	-	-	44 066	9 569	(0)	8 629	-	-	-	18 198	25 868
Council	10 952 625	-	29 309	(788)	-	-	-	10 981 146	6 319 194	(1 371 269)	334 954	(645)	-	-	5 282 203	5 698 942
Corporate Services	24 692 780	-	27 917	(26 553)	-	-	(6 990)	24 687 184	1 423 084	(2 014)	473 723	(24 807)	-	-	1 869 985	22 817 198
Human Resources	17 334	-	-	-	-	-	-	17 334	3 368	(0)	2 962	-	-	-	6 329	11 005
Development/Admin Services	925 697	-	-	(218 301)	-	-	-	708 396	522 745	(0)	23 505	(216 990)	-	-	329 260	379 136
Technical Services	11 757 757	-	24 968 386	(8 440)	(1 371 006)	-	287 063	35 633 790	802 639	(166 314)	180 372	(7 363)	-	-	809 334	34 824 456
Electricity Service	18 740 676	-	97 257	(160 778)	945 522	-	-	19 622 677	7 680 272	(3 040)	580 144	(41 128)	-	-	8 216 249	11 406 428
Public Works	106 200	-	-	(12 000)	-	-	-	94 200	14 020	-	8 680	(7 000)	-	-	15 700	78 500
Parks and Gardens	4 722 205	-	-	-	-	-	-	4 722 205	689 808	(0)	198 992	-	-	-	898 800	3 823 405
Refuse Removal	2 486 682	-	-	(358 454)	-	-	-	2 128 228	1 290 476	(24 720)	211 699	(191 175)	-	-	1 286 279	841 949
Roads	149 559 328	-	3 270 299	(458 147)	425 484	-	-	152 796 964	23 072 771	(264 734)	6 550 012	(216 098)	-	-	29 141 952	123 655 013
Mechanical Workshop	2 490 562	-	-	-	-	-	-	2 490 562	558 281	0	345 198	-	-	-	903 480	1 587 082
Financial Services	1 009 400	-	260 722	(151 240)	-	-	(96 381)	1 023 501	742 326	(93 892)	99 404	(91 399)	-	-	656 439	367 062
Procurement	99 963	-	589 949	(1 526)	-	-	-	688 386	70 540	(736)	25 051	(1 321)	-	-	93 534	594 852
Community Services	10 838 856	-	-	-	-	-	-	10 838 856	205 475	0	631 881	-	-	-	837 356	9 999 500
Clinic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	765 670	-	170 773	(29 918)	-	-	(14 746)	891 779	525 768	(4 324)	61 824	(28 416)	-	-	555 052	336 728
Protection Services	1 096 025	-	146 222	(9 226)	-	-	150 675	1 343 097	497 704	(44 843)	126 003	(9 060)	-	-	609 804	733 293
Disaster/Fire	748 143	-	300 000	(2 394)	-	-	-	1 045 749	747 163	(220 904)	73 880	(2 364)	-	-	597 775	447 974
Law Enforcement	23 445	-	-	-	-	-	-	23 445	1 514	0	4 016	-	-	-	5 530	17 915
Estates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Service	3 308 639	-	-	-	-	-	-	3 308 639	3 088 063	0	20 052	-	-	-	3 108 115	200 524
Afforestation	2 296 573	-	11 458	-	-	-	303 159	2 611 190	552 788	-	126 950	-	-	-	679 738	1 931 452
Landfill Site	2 393 245	-	-	-	-	-	(267 663)	2 185 582	1 144 989	(760 720)	72 854	-	-	-	437 123	1 748 459
TOTAL	253 325 010	-	29 892 190	(1 585 200)	(0)	-	376 577	282 007 576	50 691 595	(2 939 247)	10 324 070	(896 804)	-	-	57 179 614	224 827 963
Intangible Assets	38 770	-	1 161 600	-	-	-	344 642	1 545 011	14 862	-	46 474	-	-	-	61 336	1 483 675
Investment Properties	1 479 000	-	-	(20 000)	-	-	-	1 459 000	-	-	-	-	-	-	-	1 459 000